

# **AUDIT QUALITY ATTRIBUTES IN INDONESIA: THE PREPARERS AND FINANCIAL STATEMENT USERS PERSPECTIVES**

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*The project aims to investigate the attributes of audit quality in Indonesia by considering input from groups of audit clients and external statement users. Beside the facts of the important to consider the issue from different groups of stakeholders such as audit committee chairpersons and loan officers, there have been very few published empirical studies of perceived audit quality in Indonesia from those groups' perspectives. This study attempts to address the gap by identifying the major attributes that enter into the determination of audit quality in Indonesia based on the perspectives of different groups of clients and external users. Survey questionnaires are sent to a random sample of the two groups. The result shows that there are significant difference perceptions between the groups.*

## **1. INTRODUCTION**

Concern in audit quality has been high after the sudden collapse of major corporate around the world such as Enron in the United States and HIH in Australia. External auditors had been criticised by public for not discovering and then warning investors for the potential of companies' bankruptcy (Gavious 2007). Therefore, the accounting profession has been forced to control and improve the quality of the audit (Sutton 1993).

Studies on how to define and measure audit quality or what factors affects it have been widely conducted. However, there is still no single agreement on audit quality definition or measurement. In fact, researches have focused on the number of approaches to explain the audit quality. One of those approaches is observing the issue of audit quality from a behavioural perspective, which is examine audit quality based on the perceptions of participants in the audit market. Such studies are important since the actual audit quality is difficult to observe and the perceived factors could affect the actual audit quality (Chang & Monroe 1994). Moreover, market perceptions are mostly reflecting its environment. Therefore,

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given the different environments such as regulatory that exist across countries, it is important to conduct audit quality studies in different countries to gain new insights (Wallace 2004).

Beside the facts of the important of auditors, research on the role of auditors in emerging market is very rare and remains unexplored (Healy & Palepu 2001). In Indonesia, audit quality has been questioned greater after some audit scandals involving local public accountants and have resulted the repealing of some public accountants and public accounting firm licence by the Finance Ministry of Indonesia. However, there have been very few published empirical studies of perceived audit quality in Indonesia. Study by Mansur (2007) only investigated audit quality factors from the perception of auditors in Indonesia. His study considered training and proficiency, independence, and due professional care as factors that affected audit quality from the perspective of auditors. In fact, prior studies on the perceive of audit quality, which have been carried out in the US, the UK, and Denmark, have been investigated the issue from different groups of stakeholders such as auditees, owners, audit committee chairpersons, and loan officers (Beattie & Fearnley 1995; Behn & Carcello 1997; Duff 2004, 2009; Nieschwietz & Woolley 2009; Schroeder, Solomon & Vickrey 1986; Sutton 1993; Warming-Rasmussen & Jensen 1998). Also, compare views of auditors, preparers, and external users on perceived of audit quality (Carcello, Hermanson & McGrath 1992). A criticism of above studies, as pointed out by Warming-Rasmussen and Jensen (1998), is that they mainly reflect the authors' perception of audit quality as they identify their audit quality attributes through literature studies and by 'own experience'. Therefore, this study attempts to address the gap by identifying the major attributes that enter into the determination of audit quality in Indonesia based on the perspectives of different groups of clients and external users.

The main aim of this research is to investigate the determinants of audit quality in Indonesia. This research will consider input from various groups of clients and external users to identify

attributes related to audit quality in Indonesia. Based on that research objective, the main research question is: what are the major attributes that enter into the determination of audit quality in Indonesia based on the perspectives of groups of clients and external users.

As this study is conducted in Indonesia, which has different market characteristics, such as very few professionally qualified accountants (Tas-Anvaripour & Reid 2002), then this study is expected will contribute to auditing and accounting research by providing additional insights to audit quality. Therefore, practitioners and academics could have a broad framework in considering what the dimension of audit quality are, how differences can occur, and how these might be handled.

## **2. LITERATURE REVIEW**

### **2. 1. Audit Quality**

Even though research on audit quality has been widely conducted, there is no one exact definition of audit quality (Duff 2004). Bedard, Johnstone & Smith (2010) illustrated that “even seasoned professionals convening to discuss the notion of audit quality have difficulty agreeing on a common definition”. The one that is broadly cited is the definition of the quality of audit services by DeANGELO in 1981 that stated:

The quality of audit services is defined to be the market-assessed joint probability that a given auditor will both (a) discover a breach in the client’s accounting system, and (b) report the breach. The probability that a given auditor will discover a breach depends on the auditor’s technological capabilities, the audit procedures employed on a given audit, the extent of sampling, etc. The conditional probability of reporting a discovered breach is a measure of an auditor’s independence from a given client (DeAngelo, 1981, p. 186)

The definition offers two important factors of audit quality, which are the auditor’s capacities in conducting an audit and the independence of the auditor over the client. DeAngelo (1981) argued that a large auditor specifically has these two characteristics as the auditor has more technological capabilities and more reputation to lose. Therefore, she claimed that the larger

the auditor the higher the perceived quality of the audit. She simply showed the audit firm size as the proxy for audit quality.

The study was then followed by others that demonstrated a positive relation between audit firm size and audit quality (Craswell, Stokes & Laughton 2002; DeFond, Wong & Li 1999; Deis & Giroux 1992; Dopuch, Holthausen & Leftwich 1987; Ireland 2003; Lennox 1999; Reynolds & Francis 2000). The general hypothesis is that audit services offered by larger audit firms tend to be of higher quality than those offered by smaller ones because large auditors have more valuable reputations and more wealth at risk from litigation.

However, other published definitions of audit quality emphasized another various aspects of audit quality. For example, the Government Accountability Office (GAO) in the United States explained that audit quality is referring to the auditor in conducting the audit according to generally accepted auditing standards (GAAS) to provide reasonable assurance that the audited financial statements and related disclosure are (1) presented conformity with GAAP and (2) are not materially misstated whether due to errors or fraud (GAO 2003). This definition are attributes of inputs, process, and outcomes (Smith, Bedard & Johnstone 2009). Another description of audit quality, which is also combined the inputs, process, and outcome aspects of the audit, is presented by the United Kingdom's Financial Reporting Council. They promoted five key drivers of audit quality that include the culture within an audit firm, the skills and personal qualities of audit partners and staff, the effectiveness of the audit process, the reliability and usefulness of audit reporting, and factors outside the control of auditors affecting audit quality (FRC 2008). The Australian Treasury even published more comprehensive view of audit quality. They suggested that audit quality involves a wide range of inter-related factors such as the legal framework relating to audit regulation, the ethical standards applying to the members of the professional accounting bodies, the professional qualities and skills of auditors

and their staff, and the role and activities of the audit regulator and other bodies involved in the audit review process (Treasury 2010).

The above definitions of audit quality can be noticed in various studies of audit quality. Some studies focused on the impact of audit firm arrangement and processing such as audit contract type, audit tenure, audit fees, and non-audit services on audit quality (Carey & Simnett 2006; Chang & Monroe 1994; Son 2005). Meanwhile, other studies explored the company's characteristics such as company size, business complexity, institutional ownership and leverage, as variables that affect audit quality (Kane & Velury 2004; Mitra, Hossain & Deis 2007; Wan Abdullah, Ismail & Jamaluddin 2008). Some others examine the effective components of corporate governance and its relationship with audit quality (Adeyemi & Fagbemi 2010; Carcello & Neal 2000; Cohen, Krisnamoorthy & Wright 2002; Goodwin & Seow 2002; O'Sullivan 2000; Salleh & Stewart 2006).

To be concluded, audit quality involves a broad variety of interconnected important factors reflecting the role of professional standards, auditor effort, and independency of the auditor and attributes of inputs, process, and output.

## **2. 2. Previous Related Studies**

Duff (2004) stated that the issue of audit quality has been examined from three approaches. The first group of studies have focused on the pricing differentials in examining the issue of audit quality. The second group emphasised the audit differences between audit firms using various measurements of quality performance. The last group considered the issue from the behavioural perspective. This study will investigate audit quality attributes from the last approach, which is the behavioural perspective. Studies on audit quality from behavioural perspective are characteristically intended to identify factors that are perceived by clients,

auditors and users related to audit quality (Duff 2004). Some of the studies are summarised below.

In 1986, Schroeder, Solomon & Vickrey conducted a survey of audit-committee chairpersons and auditors in the United States to provide insight into the factors that they perceive to be important determinants of audit quality during the auditor nomination/selection process. The 15 audit quality factors that presented in the questionnaire were separated into two classes, which were audit-firm factors and audit-team factors. From the result, it showed that audit-team factors are perceived to be relatively more important than firm-wide factors.

Carcello, Hermanson & McGrath (1992) surveyed high-ranking auditors, prepares, and users in the United States as a basis for comparing their perceptions of the underlying components of audit quality. Forty-one attributes of audit quality identified from the literature and also referred to the personal experiences of the authors were included in the questionnaire. The participants were then asked to evaluate the degree to which each attributes improves audit quality. The result showed that audit team and firm experience with the client, industry expertise, responsiveness to client needs, and compliance with the general standards of generally accepted auditing standards (GAAS) were four factors that reported being most important in determining audit quality.

Beattie & Fearnley (1995) examined audit quality attributes in the UK by surveying finance directors of 210 listed UK companies. Twenty-nine auditor characteristics identified from the literature were presented in the questionnaire. The exploratory factor analysis resulted in five main factors of audit quality, which were integrity of the firm, the technical competence of the firm, the quality of the working relationship with audit partner, the reputation of the firm, and the technical competence of the audit partner.

Warming-Rasmussen & Jensen (1998) investigated how the shareholders and financial journalists in Denmark perceive audit quality and analysed if the financial reporting preparers

and auditors appraise the attributes of quality differently. The study tried to identify a possible relationship between quality and confidence attributes. Fifteen attributes concerning quality and confidence identified from in-depth dialogues with four external user groups presented in a set of questionnaires. The result showed that the external users tend to perceive audit quality attributes as attributes that also inspire confidence in the auditor, and that moral and ethical aspects are the main quality dimensions.

Duff (2004) conducted a research aiming to identify the determinants of audit quality using samples of auditors, financial directors, and external users in the UK. The project extended previous study on audit quality to include service aspects of quality. As a result, Duff (2004) developed an audit quality model (AUDITQUAL) that categorizes audit quality into two elements: technical qualities and service qualities. Technical qualities including competence and independence, as mentioned before by DeANGELO (1981), while the service qualities involving factors such as responsiveness, non-audit services, and understanding.

Duff (2009) continued his previous work by considering changing perceptions of audit quality in the UK during a period of significant environmental change. His study conducted a new survey data in February 2005 and compared the result to a dataset collected in February 2002, coincident with the Enron/Andersen debacle. The result showed that the mean scores for the technical audit factors, which are competence, relationship, and independence, fell from 2002 to 2005. However, there is no change in value for the service qualities. The work presented four higher-order factors for audit quality that were different from previous study, which demonstrated nine important attributes.

In conclusion, audit quality studies on the perceptions of participants in audit market have captured many factors and dimensions of audit quality. A comprehensive study by Duff (2004) has presented audit quality factors drawn from the extant audit quality and service quality literature in one model, the AUDITQUAL model.

## **2. 3. The AUDITQUAL Model**

Duff (2004) has reviewed literatures on perceived audit quality and summarised attributes of audit quality into nine distinct dimensions. He presented them as the AUDITQUAL model. The model illustrates nine audit quality attributes named: Reputation, Capability, Responsiveness, Independence, Non-audit services, Empathy, Client service, Expertise, and Experience that could be reduced to two distinct factors relating to technical quality and service quality. However, the research suggested that all those nine dimensions have important correlations that make them cannot simply be interpreted as independent variables.

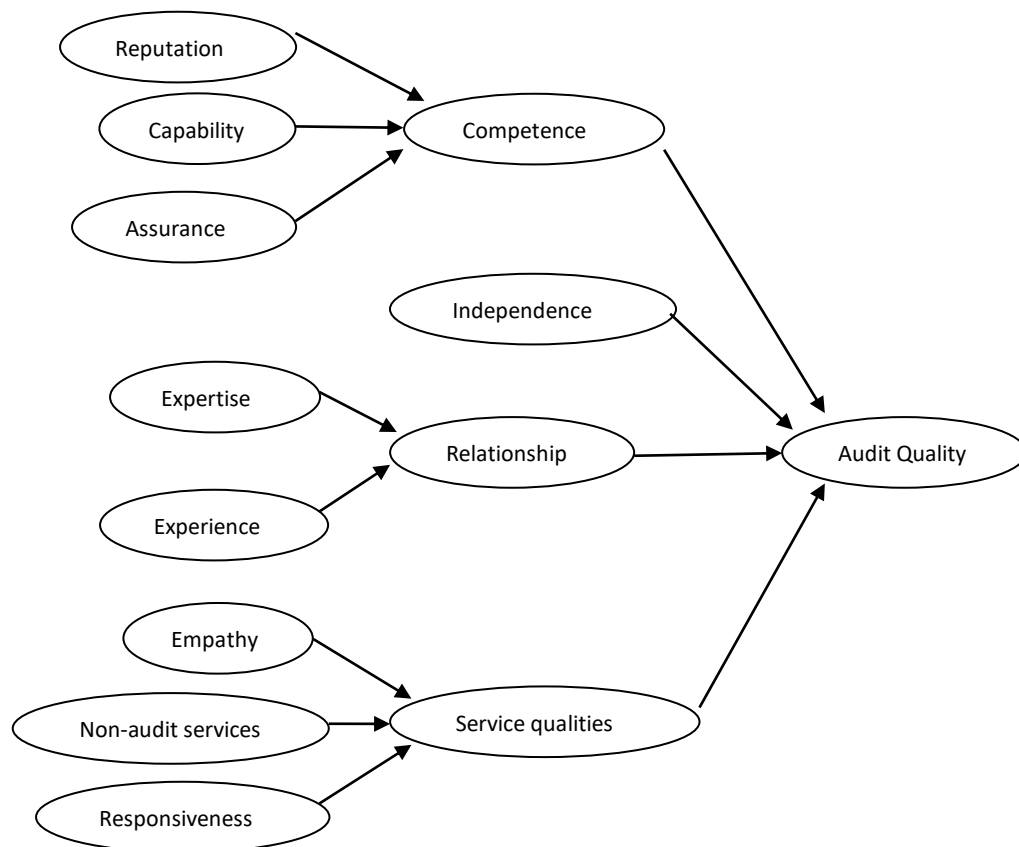
In 2009, Duff conducted a continuous study on his previous AUDITQUAL model. Duff (2009) presented an alternative AUDITQUAL model that compare perceived of audit quality among the UK audit markets in 2002 and 2005. The result of the study suggested that audit quality is best described by the competing model, which is the four-factor model. The model consists of four higher-order factors labelled competence, independence, relationship and service qualities. The first three factors, which are competence, independence, and relationship, are considered the technical qualities. Competence includes attributes such as reputation, capability, and assurance that relate to perceptions of the auditor to detect errors. Independence is conceptualized as a uni-dimensional factor, while the relationship factor is seen having two dimensions: expertise and experience. The fourth factor, which is the service qualities, has three dimensions of empathy, responsiveness, and non-audit services. This four-factor model is equivalent across administrations in 2002 and 2005, and between the three groups of auditors, auditees, and investors. Table 1 presents an explanation of the dimensions of audit quality as suggested in the AUDITQUAL model, and Figure 1 illustrates the four-factor model.



**Table 1. Factors of Audit Quality in the AUDITQUAL Model**

Factor	Definition	Example of Item
Reputation	The standing the auditor enjoys in the market as a reputational intermediary	"The audit firm operates to the highest standards of integrity"
Capability	The ability of the auditor to conduct the work	"The engagement partner has high ethical standards"
Assurance	Those processes the auditor has in place to assure a high quality audit	"The engagement partner arranges regular meetings with the client's key staff to identify issues of concerns"
Independence	The objectivity and willingness of the auditor to report any breach in the client's accounting system	"The audit fee paid by the client does not represent more than 10% of the total audit fees controlled by the AEP"
Expertise	Possession of relevant specialist knowledge by the auditor	"The audit firm undertakes research into the client's industry"
Experience	The experience the auditor has with the auditee	"The engagement partner has been performing the audit for the past three years"
Empathy	The degree of understanding the auditor has with the challenges the auditees faces	"The engagement partner is pro-active and contributory (e.g. suggests potential acquisition targets)"
Responsiveness	The ability of the auditor to tailor their service to auditee needs	"The audit firm is willing to be flexible when scheduling the timing of audit visits"
Non-audit services	The ability of the auditor to be able to offer other accounting-related services	"The audit firm is able to supply additional tax services"

Source: Duff (2009, p.405)



**Figure 1. The Four-Factor Model of Audit Quality**

## 2. 4. Conceptual Framework

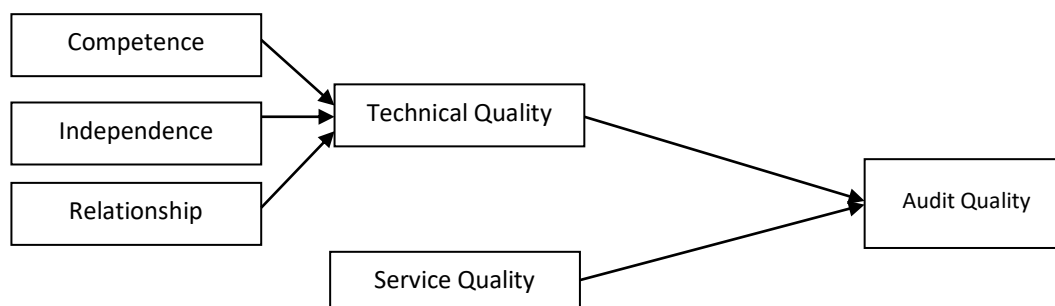
Defining audit quality involves many aspects as audit quality does not have a constant meaning (Duff 2004). In fact, in a wide broad of audit quality research, different definitions have been used for different people (Al-Ajmi 2009). DeANGELO (1981), for example, defined audit quality as the probability that the auditor will both discover and report a breach in the client's accounting system. This definition offers two dependent factors of audit quality, which are auditor's competence and independence. Francis (2004), on the other hand, conceptualized audit quality as a failure of audits to comply with the minimum legal and professional requirements. Meanwhile, Duff (2004) claimed that audit quality is maintained by its own explicit and implicit contract. He explained that if the auditor has commenced a defective audit then explicitly auditors will face litigation against them or paying compensation to the injured parties and implicitly they will suffer damage to their commercial reputation.

Measuring audit quality directly is another challenge due to unobservable or limited data (Woodland & Reynolds 2003). It is suggested that audit quality measurement should involve a function of the input and the output into the auditing process. The input of the auditing process, which are auditor characteristics and audit conduct, are largely unobservable. Meanwhile, the output of the auditing process, which is the audit report, has offered opportunities for directly assessing audit quality. As a result, different expressions based on the output of the auditing process have been used for measuring audit quality. For example, Deis and Giroux (1992) used Quality Control Review (QCR) findings to obtain a direct measure of audit quality for public sector. Boone, Khurana & Raman (2010) used terms going concern audit report, abnormal accruals, and the client equity risk premium as proxies for audit quality. Chuntao, Song & Wong (2008) used audit opinion as a proxy for audit quality.

As there is no exact definition and measurement for audit quality, then this research will provide a new reference from different perspectives of the clients and users in Indonesia. A review of literature shows that attributes related to audit firm factors, engagement partner factors, and audit team factors are perceived by auditors, clients, and users influence the audit quality. Duff (2004) reduced all these factors into nine distinct dimensions and presented it as the AUDITQUAL model based on the UK market. The model illustrates nine audit quality attributes named: Reputation, Capability, Responsiveness, Independence, Non-audit services, Empathy, Client service, Expertise, and Experience that could be reduced to two distinct factors relating to technical quality and service quality (Duff, 2004). The model was then extended in 2009 by further examining the construct validity of AUDITQUAL model. The study presented an alternative AUDITQUAL model that compare perceived of audit quality among the UK audit markets in 2002 and 2005. The result suggested that audit quality is best explained by a four-factor model, other than the previous two higher-order factors, encompassing technical audit qualities of the auditor, which including competence, independence, and relationship with auditees and those service qualities relating to the audit engagement itself. The model represented a summary of the audit quality literature and also including study results from other countries such as the United States and Denmark. Duff (2004) also has extended the study to include service quality literature, which has never been considered before. Given this AUDITQUAL model as a comprehensive model considering distinct components of audit quality, thus this study will adopt the model as the framework.

Furthermore, the study has found that there is changing perceptions of audit quality in the UK between 2002 and 2005 due to significant environmental changes. It shows that the model is not constant with respect to group and time. Therefore, given the different environments (especially regulatory) that exist across countries, it is meaningful to conduct audit quality

studies in different countries to gain new insights (Wallace 2004). The framework for this study is illustrated in Figure 2.



**Figure 2: Conceptual Framework**

### **3. THE METHODOLOGY**

This research uses quantitative techniques, which is sending mail questionnaires to a random sample of two groups: clients and users. Audit committee members of listed companies on the Indonesia Stock Exchange (IDX) are used to represent the clients. In December 2010, there were 420 companies listed on the IDX. Of that number, 66 companies were investor and creditor institutions. These are excluded. Therefore, the sample for the client group is 354 companies. Each company is represented by one audit committee members. There are two primary users of financial statements: investors (both institutional and individual) and creditors. Individual investors are not included in the study as they are likely to not have the expertise to identify the attributes of a high audit quality (Carcello et al., 1992). Therefore, for the user group, the questionnaire are sent to 35 investment managers of investment companies, and 31 chief lending officers of banks as listed in the IDX website.

The choice for the population number as the sample size is that considering the respond rate of maximum 30%. This is based on the explanation by Green, Tull & Alabaum (1988) that the nature of the subject within the accounting field usually achieve a response rate of between 10 and 30%.

The questionnaire that contained audit quality attributes are presented to the participants and asked for their respond using a five-point scale, ranging from “not important for audit quality” (1) to “very important for audit quality” (5). Items developed for including in the questionnaire are identical to AUDITQUAL questionnaire as used by Duff (2004, 2009). The questionnaire uses closed-form questions and contains five sections to make the questionnaire easier for respondents to complete. The first section includes items relating to the audit firm factors. The second section items relate to engagement partner factors. The third section contains questions relating to engagement partner factors. The fourth section forms an open-ended question for respondents to make any comments about audit quality. The last section contains general questions about the background details of the respondent such as work experience and type of company. The questionnaire is accompanied by an explanatory covering letter assuring the confidentiality of responses. There is no definition of a high quality audit provided since respondents will evaluate the attributes from their own reference.

In order to analyse the quantitative data collected from the survey questionnaire, the statistical analysis software Statistical Package for the Social Science (SPSS) version 20 is used. The Wilcoxon non-parametric test is used first to test the similarities of early and late responders. Then, Kolmogorov-Smirnov/Saphiro-Wilk and Normal Plot are conducted to test for normality, linearity and outliers for each group. These tests are intended to measure the normal distribution of the data in order to generalize the results to the population.

Descriptive statistics in the form of frequency distributions are conducted to describe the demographics of the respondents. The frequency distributions would help to provide the description of participants in term of the length of their experience with their current company and their company type. The description would allow more tests to find the differences between participants’ demographics and their perception. Therefore, the ANOVA and Independent Sample t-test are performed for that purpose.

Mean and standard deviation are computed to explore the mean differences between groups. The mean score will be used to show how the audit quality attributes considered in Indonesian market, such as what is the most important audit quality attribute according to respondents in Indonesia. Standard deviation will be used to assess the level of consensus of the respondent's responses of how important each attribute.

#### 4. THE FINDINGS

From the questionnaire sent, 74 and 29 usable questionnaires are received from the respective clients and users groups. This led to a response rate of 21% and 43% for client and user groups respectively.

Early and late responders are compared on the assumption that late responders are similar to early responders using the Wilcoxon non-parametric test. The data was input into SPSS using nonparametric test, which assumes that the data does not follow the normal distribution. Using 'related sample analysis', the SPSS automatically chosen the Wilcoxon test. The hypothesis that the early and late responders are similar is not rejected. Table 2 is from the SPSS output.

**Table 2**  
**Nonparametric Test for Response Bias**

<b>Hypothesis Test Summary</b>				
	<b>Null Hypothesis</b>	<b>Test</b>	<b>Sig.</b>	<b>Decision</b>
<b>1</b>	The median of differences between Early Responders and Late Responders equals 0.	Related-Samples Wilcoxon Signed Rank Test	.121	Retain the null hypothesis.

Asymptotic significances are displayed. The significance level is .05.

In order to test the distribution of data, a number of tests for normality are conducted. Normal distribution test is intended to measure whether the data is normally distributed or not. Data that is distributed normally can be used to generalize the results to the population. This is based on the assumption that the sample is really representative of the population. Kolmogorov-

Smirnov/Saphiro-Wilk, Normal Plot and Box-plot are conducted to test for normality, linearity and outliers for each group. Collectively, the results show that all assumptions are satisfied as represented in the next several figures.

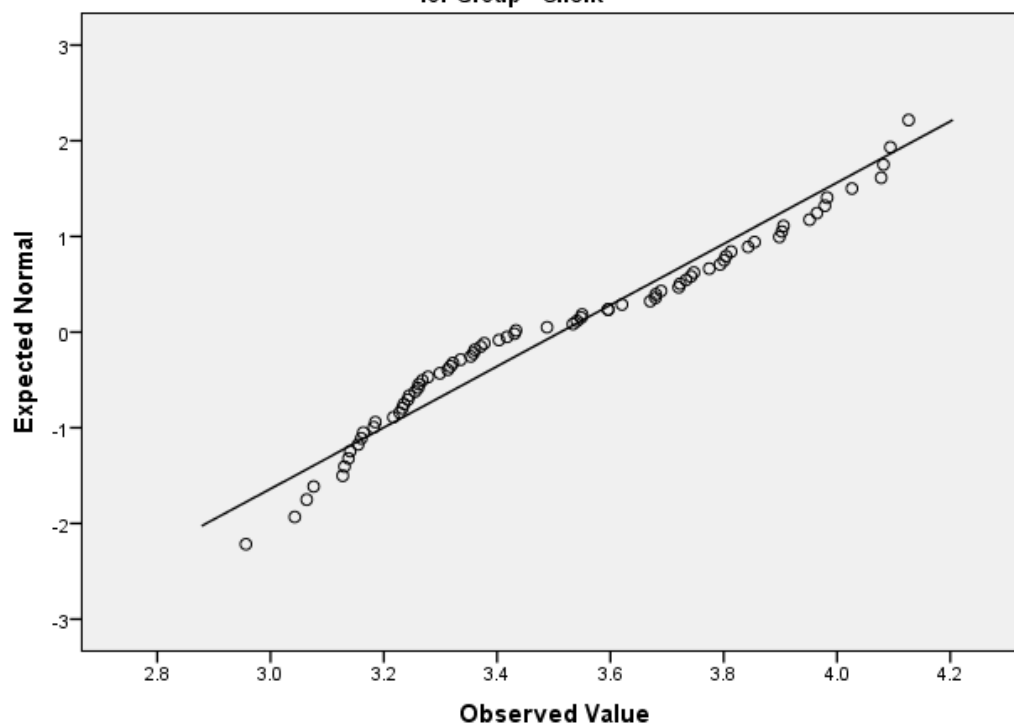
**Table 3**  
**Tests of Normality**

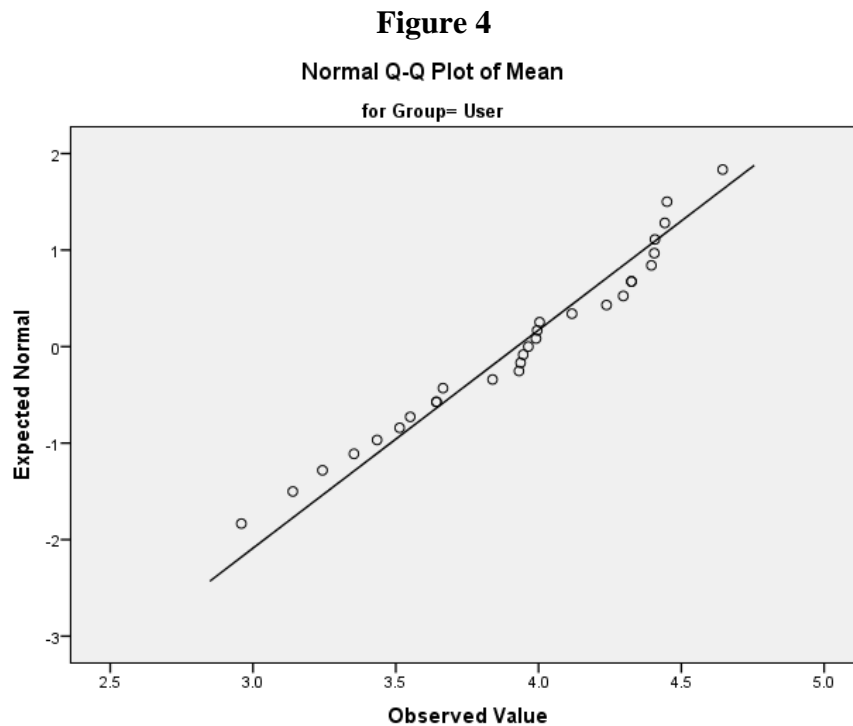
Group		Kolmogorov-Smirnov <sup>a</sup>			Shapiro-Wilk		
		Statistic	df	Sig.	Statistic	df	Sig.
Mean	Client	.126	74	.005	.948	74	.004
	User	.127	29	.200 <sup>*</sup>	.957	29	.277

\*. This is a lower bound of the true significance.

a. Lilliefors Significance Correction

**Figure 3**  
**Normal Q-Q Plot of Mean**  
for Group= Client





Analysis of the demographic data shows that from 74 audit committee members who are responded, 32 (43.2%) are from foreign companies and 42 (56.8%) are from local companies. Around 44.6% of them have been working in their companies for less than 10 years, while around 55.4% have been working there for more than 10 years. Meanwhile, there are 26 (89.7%) chief lending officers replied and only 3 (10.3%) investment managers answer the questionnaires. Most of those users of financial statement have been working in their companies for less than 10 years, which are around 65.5%. Only around 34.4% of them have been working for more than 10 years.

The AUDITQUAL model originally developed nine dimensions of audit quality. Descriptive statistics of the nine dimensions of audit quality from the survey result in Indonesia are presented in Table 4. From the table it can be seen that both groups consider ‘reputation’ and ‘capability’ as the most important factors for audit quality in Indonesia. However, the users consider ‘responsiveness’ as more important than ‘experience’ and ‘expertise’. Even, they put ‘expertise’ as the last important attribute to consider.



**Table 4**  
**Descriptive Statistics**

No.	Audit Quality Dimensions	Client (n=74)		No.	Audit Quality Dimensions	User (n=29)	
		mean	SD			mean	SD
1	Reputation	4.07	0.48	1	Reputation	4.30	0.59
2	Capability	3.84	0.54	2	Capability	4.27	0.61
3	Experience	3.80	0.73	3	Responsiveness	4.15	0.90
4	Expertise	3.68	0.66	4	Experience	4.07	0.52
5	Assurance	3.55	0.66	5	Assurance	3.88	0.54
6	Responsiveness	3.42	0.28	6	Independence	3.87	0.60
7	Non-audit services	3.21	0.58	7	Empathy	3.77	0.75
8	Independence	3.05	0.50	8	Non-audit services	3.53	1.00
9	Empathy	2.98	0.60	9	Expertise	3.48	0.59

To figure out whether there are differences in perceptions of audit quality dimensions between the groups, the one-way ANOVA was conducted and presented in Table 5. The result shows that with the significant level at the 0.05, there are significant difference perceptions between the groups for most of the dimensions. The dimensions are: Reputation, Capability, Assurance, Independence, Experience, Empathy, Responsiveness, and Non-audit services. Meanwhile, both groups have a little difference in considering the importance of ‘expertise’ dimension. This is interesting since the user put the ‘expertise’ dimension as the last attributes to consider but the client put it as the fourth important dimension. Overall, the result suggested that in considering what important for audit quality in Indonesia, the role of the subject is very important. Every subject will consider the importance of one thing from their role perspective. What is good for them is not automatically good for others too.

The user of financial statement in Indonesia considers ‘independence’ as the sixth important attributes for audit quality in Indonesia. Meanwhile, the client considers it as the two last

**Table 5****ANOVA**

		Sum of Squares	df	Mean Square	F	Sig.
Reputation	Between Groups	1.119	1	1.119	4.256	.042
	Within Groups	26.547	101	.263		
	Total	27.666	102			
Capability	Between Groups	3.958	1	3.958	12.725	.001
	Within Groups	31.417	101	.311		
	Total	35.375	102			
Assurance	Between Groups	5.481	1	5.481	14.089	.000
	Within Groups	39.291	101	.389		
	Total	44.772	102			
Independence	Between Groups	3.737	1	3.737	13.428	.000
	Within Groups	28.112	101	.278		
	Total	31.849	102			
Expertise	Between Groups	.860	1	.860	2.189	.142
	Within Groups	39.658	101	.393		
	Total	40.518	102			
Experience	Between Groups	2.518	1	2.518	4.109	.045
	Within Groups	61.892	101	.613		
	Total	64.410	102			
Empathy	Between Groups	6.334	1	6.334	11.737	.001
	Within Groups	54.507	101	.540		
	Total	60.841	102			
Responsiveness	Between Groups	4.164	1	4.164	26.535	.000
	Within Groups	15.850	101	.157		
	Total	20.014	102			
NonauditServices	Between Groups	6.482	1	6.482	16.268	.000
	Within Groups	40.245	101	.398		
	Total	46.727	102			

important dimensions. The ‘independence’ dimension includes some of the following questions:

1. The audit firm conducting the audit provides no non-audit services to the firm
2. The audit firm employs individuals independent of the audit firm to conduct client service reviews
3. The audit fee paid by the client does not represent more than 50% of the total audit fees controlled by the engagement partner

The analysis found that the chief loan officers and the fund managers placed greater importance on all of above factors compared to the audit committees. It is obvious that the user of financial statements concern of the independency of the auditor over the non-audit service provided and the fee paid by the client. However, the client considers them as less important. It might be due to their direct involvement in auditing services, in which they feel those factors do not really influence the independency of their auditors.

## **5. CONCLUSION**

To conclude, this study aims to examine the importance of audit quality attributes in Indonesia from the perceptions of different audit parties, which are the audit client and user of financial statement. The result suggested that the reputation and capability are the two main attributes for audit quality in Indonesia. The result also shows that both groups are different in their perceptions of audit quality attributes.

The study has a limited scope as the sample got is small and hence the results reported might be limited in term of generalizability. Despite this limitation, the study could be treated as a platform for future study in auditing.

It is expected that the findings could assist many parties such as companies - in analysing the audit proposal, Audit Committees - in conducting the annual evaluation of the effectiveness of

the external audit, All stakeholders- in assessing strategies and actions taken by audit firms to ensure that high quality audits are performed, Regulators - when monitoring the audit profession. It is also hoped that this study's results could be adopted by audit firms that concern about improving the level of their audit quality.

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